



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

June, 2003

TO: CHAIRPERSON, COUNTY BOARD OF COMMISSIONERS

The State Tax Commission has directed that the county boards of commissioners be informed that the equalization director of each county is required to file the results of the equalization survey he or she has conducted, with the State Tax Commission, no later than December 31, 2003, in accordance with the General Rules of the State Tax Commission, R209.41. A copy of Rule R209.41 has been enclosed.

A county equalization director is required to submit an interim status report of the ongoing study for the current year no later than June 30, 2003. The interim report outlines a plan of work for obtaining the revised base for equalization for each township and city in the county for 2003. The plan shall include the name of the unit, the classes, and the work to be done in each.

Section 211.34, of the Michigan Compiled Laws requires separate equalization for seven classes of property and makes it imperative that there be a county study in every class.

Section 211.150, M.C.L. prescribes the following duty of the State Tax Commission:

"To have and exercise general supervision over the supervisors and other assessing officers of this state, and to take such measures as will secure the enforcement of the provisions of this act to the end that all the properties of this state liable to assessment for taxation shall be placed upon the assessment rolls and assessed at that proportion of true cash value which the legislature from time to time shall provide pursuant to the provisions of article 9, section 3 of the constitution."

It is important to note that increases or decreases in the True Cash Values reported by equalization studies are not defined by the amount of increase or decrease in the inflation rate used in the calculation of capped valuations, but are independent of that rate. Assessments as equalized still must be uniform and achieve fifty percent of the usual selling price of a property. Assessor equalization of assessments, and county and state equalization are still mandatory and are still required by law and the State Constitution. Assessments are not capped. Taxable Values are capped.

Since Proposal A passed on March 15, 1994 property tax millages are applied to the Taxable Values of properties to determine the property tax levy .The SEV becomes Taxable Value for the

year following the Transfer of Ownership and the SEV is necessary to calculate the Taxable Value of each parcel of property in the State, annually. Assessors must be advised that in the year following a sale which is determined to be a "transfer of ownership" of real estate, the SEV of the property will not automatically or necessarily equal 1/2 of the sale price of the parcel. An individual sale price is not always a good indicator of the true cash value of the property due to a variety of reasons such as an uninformed buyer, an uninformed seller, insufficient marketing time, buyer and seller are relatives, and other possible reasons.

In a related matter, neither Proposal A nor its implementing language authorized assessors or the board of review to "follow sales" when determining the assessed value of properties. "Following Sales" is described in the Assessor's Manual as the practice of ignoring the assessment of properties which have not recently been sold while making significant changes to the assessment of properties which have been sold. The practice of "following sales" is a serious violation of the law.

Some County Boards of Commissioners appear tempted to reduce Equalization Department staffing to try to develop a method by which the acquisition by the County of a properly State Certified Director can be circumvented, citing Proposal A as an excuse. Establishing defensible equalized values through a functioning equalization department is as important now as previously. Having a properly State Certified Equalization Director and an adequately staffed department is more important than ever. County Equalization Departments now have MORE responsibilities than before the passage of Proposal A. Their jobs, like assessor positions, have become more technically diverse.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis Platte". The signature is fluid and cursive, with the first name "Dennis" and last name "Platte" clearly distinguishable.

Dennis W. Platte
Executive Secretary
State Tax Commission

Enclosure (Rule 209.41)

cc: County Equalization Department